

Message Text

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S/S-O: L.MATTESON

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

C O N F I D E N T I A L STATE 250958

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJECT: WORLD WAR I DEBT AND THE JOHNSON ACT

REFS: A) STATE 15128; B) BUDAPEST 3063; C) BUDAPEST 3398

FOR AMBASSADOR MCAULIFFE

1. WE REGRET VERY MUCH THE SUSPICION OF THE HUNGARIANS
THAT WE ARE DELIBERATELY DRAGGING OUR FEET ON THE SETTLE-
MENT OF THE WORLD WAR I DEBT. AS WE HAVE POINTED OUT,
HOWEVER, THERE ARE SERIOUS PROBLEMS FROM A LEGAL POINT OF
VIEW TO WHAT OTHERWISE WOULD APPEAR TO BE A SIMPLE ISSUE.

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IN ANY EVENT, AS WE SAID IN REF A, ANY AGREEMENT FOR LESS

THAN 100 PERCENT FULL VALUE SETTLEMENT WOULD REQUIRE CONGRESSIONAL APPROVAL. OUR EFFORTS SO FAR HAVE NOT PRODUCED ANY FORMULA WHICH COULD GET AROUND THE RISKS INVOLVED IN RE-OPENING WITH CONGRESS THE ENTIRE WORLD WAR I DEBT ARREARAGE PROBLEM CONCERNING 20 COUNTRIES IN ADDITION TO HUNGARY.

2. IN LIGHT OF YOUR LATEST INDICATION (REF C) THAT GOH MAY BE WILLING TO MAKE 100 PERCENT SETTLEMENT OF ITS ENTIRE INDEBTEDNESS TO US, WE HAVE NO OBJECTION TO YOUR PURSUING THIS SOLUTION FURTHER. IT AT LEAST HAS THE MERIT OF MAKING US LOOK RESPONSIVE. YOU MIGHT WISH TO DISCUSS

THIS INFORMALLY AT FIRST, AND IF YOU GET A POSITIVE REACTION YOU MIGHT PASS ON THE FOLLOWING NOTE:

3. QUOTE. THE GOVERNMENT OF THE UNITED STATES OF AMERICA WISHES TO ASSURE THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF HUNGARY THAT THE JOHNSON ACT (UNITED STATES PUBLIC LAW 80-772) WILL NOT APPLY TO HUNGARY IF HUNGARY IS NOT IN DEFAULT IN PAYMENTS ON OBLIGATIONS DUE THE U.S. THE RECORDS OF THE UNITED STATES CURRENTLY SHOW (1) ARREARAGES REGARDING THE 1924 FUNDING OF THE DEBT ARISING FROM THE SALE OF FLOUR BY THE UNITED STATES GRAIN CORPORATION TO HUNGARY, WHICH AS OF SEPTEMBER 30, 1975, TOTALED DOLS 4,029,253.22, AND (2) ARREARAGES REGARDING THE SALE OF UNITED STATES SURPLUS PROPERTY, PURSUANT TO THE AGREEMENT OF APRIL 25, 1946, WHICH AS OF SEPTEMBER 30, 1975, TOTALED DOLS 159,598.47. THE JOHNSON ACT WILL NOT APPLY TO HUNGARY IF HUNGARY MAKES PAYMENT TO ELIMINATE THESE ARREARAGES AND IF HUNGARY STAYS CURRENT ON OTHER DEBTS TO THE UNITED STATES. END QUOTE.

4. FYI: LAST RECORDED PAYMENT RECEIVED ON SURPLUS PROPERTY DEBT WAS GOH PAYMENT OF DOLS 51,385.70, CONTAINED IN EMBASSY OM OF AUGUST 29, 1975. END FYI.

5. AFTER PRESENTATION OF ABOVE NOTE EMBASSY SHOULD REPORT GOH RESPONSE. WE WILL THEN CONSIDER RAISING RELATED ISSUE OF BLOCKED ACCOUNTS. OUR FEELING IS THAT CONFIDENTIAL

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GOH SHOULD FIRST BE INFORMED OF THE TOTAL ARREARAGES WHICH IT SHOULD PAY IN ORDER TO OBTAIN RELIEF FROM THE JOHNSON ACT RESTRICTIONS. INGERSOLL

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